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UNCLAS AMMAN 06849

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ACTION: POL  
INFO: RAO ISU USAID CONS RSO DCM AMB PA ECON

DISSEMINATION: POL  
CHARGE: PROG

APPROVED: CDA:CHENZEL  
DRAFTED: ECON:REASON  
CLEARED: POL: ECARLSON

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ZNR UUUUU ZZH  
P 241232Z AUG 05  
FM AMEMBASSY AMMAN  
TO RUEHC/SECSTATE WASHDC PRIORITY 4535  
INFO RUEHTV/AMEMBASSY TEL AVIV PRIORITY 3767  
RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY

UNCLAS SECTION 01 OF 02 AMMAN 006849

SIPDIS

E.O. 12958: N/A  
TAGS: EINV EIND EMIN JO  
SUBJECT: JORDAN BROMINE INVESTMENT DISPUTE RESOLVED

**¶1.** (U) SUMMARY: The Jordan Bromine Company (JBC) is the largest U.S. investment in Jordan. The company's Dead Sea plant produces bromine and related products for export and has just reached profitability ahead of schedule. An investment dispute involving operational control over the company has been resolved in favor of the Albemarle Company, the U.S. investor behind Jordan Bromine. JBC now has plans to expand its \$120 million investment substantially, to the tune of as much as \$50 million in new investment. Resolution of this dispute not only ends a long-running irritant in U.S.-Jordan bilateral economic relations but it removes a cautionary note for other foreign companies interested in potential investments in Jordan. END SUMMARY.

**¶2.** (U) The U.S. company Albemarle began negotiations to establish a bromine plant on Jordan's side of the Dead Sea in 1989 and in 1999 received a commitment from the government of Jordan from the late King Hussein to maintain operational control of JBC in a 50-50 joint venture with the Arab Potash Company (the Jordanian government owns 26% of APC and has a veto over APC decisions).

**¶3.** (U) JBC's plant began operations in October 2002, eventually producing up to 50,000 metric tons of bromine per year as well as increasing amounts of additional bromine derivatives. (NOTE: Bromine and its derivatives are used in a wide range of products, including gasoline additives, flame retardants, solvents, pharmaceuticals and electronics. END NOTE.) JBC has completed every phase of its operations on time and reached profitability in January, a year ahead of schedule.

**¶4.** (SBU) Unfortunately, problems arose in October 2003 when the Jordanian government sold its 26% interest in APC to a Canadian company, PCS, which is one of Albemarle's main international competitors. The sale, in effect, created a situation in which Albemarle's rival, PCS, could, through its share in APC, block major decisions in Jordan Bromine.

¶15. (SBU) Over the past year and a half, the Embassy had been working with Albemarle to urge the Jordanian government to resolve the situation. One suggestion was that JBC sell the original government share of 26% to the Social Security Corporation, Jordan's pension plan investment agency, thereby ending PCS's ability to block all substantive decisions in JBC.

¶16. (SBU) This impasse came to a head over the past six months when APC was blocking Albemarle's plans to expand JBC's operations to meet growing world demand for JBC's products. In Albemarle's view, APC was reneging on past commitments to fund jointly expansions of the plant. This added to continued Albemarle frustration over its lack of operational control over JBC, for which Albemarle had brought in the funding and technology for construction of the Dead Sea plant.

¶17. (SBU) Jordan's Ministry of Industry and Trade maintains the controlling interest in APC and, indirectly therefore, in JBC. The Embassy has urged, through a succession of Ministers of Industry and Trade, for resolution of the dispute. As the largest U.S. investment in Jordan, JBC plays a key role not only in promoting Jordanian exports but in serving as a gauge of Jordan's investment climate for other potential foreign investors.

¶18. (SBU) During a series of intense negotiations between JBC and APC over the past three months, the Embassy was closely involved in urging the new Minister of Industry and Trade, Sharif Zu'bi, to find a compromise which would allow this flagship U.S. investment to grow. Minister Zu'bi, in close contact with the Embassy, was directly involved in bringing these negotiations to a successful conclusion.

¶19. (SBU) The final compromise gives Albemarle operational control of JBC and the ability to finance continued expansion of its plant in Jordan. In a recent visit by Albemarle's President and CEO, he told ECOUNS that, if the dispute could be resolved, Albemarle planned to expand the plant substantially. Plans include adding new production lines to the plant, increasing employment and, all told, bringing in up to \$50 million in new investment to Jordan. Now that the dispute is over, Albemarle will move ahead with its expansion.

¶110. (SBU) COMMENT: Reaching a compromise in this drawn-out investment dispute has been a long, hard slog. The final success is due to two factors: Embassy persistence in pressing the issue on the GOJ and the dynamism of Jordan's new Minister of Industry and Trade, Sharif Zu'bi. We have heard that other foreign companies had been tracking Albemarle's travails in Jordan closely, factoring them into their decisions on whether or not to take the plunge and invest in Jordan. Resolution of this dispute should improve the reputation of Jordan's investment climate and could help attract new investors. It can also be seen as an early success of Jordan's new reformist cabinet.

HENZEL